

Financial Crimes Enforcement Network (FinCEN) Summary of FATF's 1998-1999 Report On Money Laundering Typologies

Prepared by FinCEN's Office of International Programs

On February 11, 1999, the Financial Action Task Force on Money Laundering (FATF) issued its annual money laundering Typologies Report. The report discusses recent money laundering trends and methods, emerging threats, and significant countermeasures implemented by governments around the world.

Established by the G-7 Economic Summit in 1989, the FATF is an inter-governmental body whose purpose is the development and promotion of policies to combat money laundering. These policies are intended to prevent illicit proceeds from being used to further criminal enterprises and from affecting legitimate economic activities.

Law enforcement experts focused this year's typologies exercise on several specific issues. These include offshore financial centers and non-cooperative jurisdictions, vulnerabilities of new payment technologies, the potential use of the gold market in money laundering operations, and the use of large denomination banknotes and potential implications of the Euro currency changeover.

It has become clear that the analysis and discussion of trends in virtually all FATF member countries now begins with analysis of suspicious activity reports. Suspicious activity reporting systems, implemented and used widely to help detect individual instances of money laundering, are the starting point for examining the money laundering phenomenon from a more strategic point of view. This is reflective of the increase in the number of FATF member countries which now have financial intelligence units (FIUs) and mandatory suspicious transaction reporting regimes. (Since 1996, suspicious transaction reporting has been mandated by FATF Recommendation 14.) The report notes that suspicious transaction reporting systems are becoming more efficient in detecting new money laundering methods. The ability of FIUs to share information, even informally, has also dramatically increased.

Offshore financial centers and, more broadly, non-cooperative countries, remain a continuing area of concern to FATF members. Especially important to law enforcement agencies are instances -- reported at the typologies meeting -- where particular jurisdictions have failed to provide information or judicial assistance in response to law enforcement requests. There is a need to foster increased awareness of these and associated problems; the FATF established an ad hoc group in September 1998 to address this issue, and significant progress was made by this group during the FATF plenary meeting last week.

Transactions involving gold are increasingly found in money laundering schemes and are often an integral part of money movements through various parallel banking systems. The experts also noted the increasing trend for professional services providers -- accountants, attorneys, company formation agents, and others -- to be associated with more complex money laundering operations.

Rapid development and growing consumer acceptance of smartcards, on-line banking, and e-cash continue to be the hallmark of new payment technologies. FATF experts noted that money laundering countermeasures could be easily added to the systems; without consistent standards and appropriate regulatory oversight, these new payment technologies will remain highly vulnerable to money laundering activity.

Click here to view the [1998-1999 Report On Money Laundering Typologies](#)